

SUBJECT:	Amending constitutional provisions related to property tax
COMMITTEE:	Ways & Means — favorable, without amendment
VOTE:	9 ayes — Meyer, Thierry, Button, Gervin-Hawkins, Hefner, Noble, Raymond, Shine, Turner 0 nays 2 absent — Craddick, Muñoz
WITNESSES:	For — (<i>Registered, but did not testify</i> : Annie Spilman, NFIB; Charlotte Blakemore, Jim Popp, Popp Hutcheson PLLC; Billy Phoenix, Texas Association of Builders; Tray Bates, Seth Juergens, and Julia Parenteau, Texas Realtors) Against — None On — Jennifer Rabb, Texas Taxpayers and Research Association (<i>Registered, but did not testify</i> : Shannon Murphy, Comptroller of Public Accounts; Mike Meyer, Texas Education Agency)
BACKGROUND:	Texas Constitution Art. 8, sec. 22 requires that the growth rate of appropriations from state tax revenues not dedicated by the constitution be no greater than the estimated growth rate of the state's economy.
DIGEST:	HJR 2 would amend certain provisions of the Texas Constitution related to property taxes. The bill would allow the Legislature to limit the maximum appraised value of real property for property tax purposes in a tax year, to the lesser of: <ul style="list-style-type: none">• the most recent market value of the property as determined by the appraisal entity; or• 120 percent, or a greater percentage, of the appraised value of the

property for the preceding year.

The Legislature could prescribe additional eligibility requirements for the limitation through the enacting legislation.

The established limitation would take effect on the later of the effective date of the law imposing the limitation or January 1 of the tax year following the first tax year in which the owner owns the property on January 1. The limitation would expire on January 1 of the tax year following the tax year in which ownership ceased.

The school district residence homestead tax exemption would be increased from \$40,000 to \$100,000 of the appraised value of a residence homestead.

For homesteads subject to a limitation provided in the 2021 tax year or an earlier tax year, the Legislature would be required to provide a reduction in the limitation equal to \$15,000 multiplied by the 2022 tax rate for general elementary and secondary public school purposes that would be applicable to the homestead.

Beginning with the 2023 tax year, for any tax year in which the amount of the homestead exemption applicable to the residence of a married or unmarried adult or to that of an elderly or disabled individual was increased, the Legislature would be required to provide a reduction for that tax year and subsequent tax years in the amount of the limitation on school district property tax imposed to reflect certain increases in identified exemptions.

The bill would further authorize the Legislature to provide that members serving on an appraisal board in a county with a population of 75,000 could not serve terms exceeding four years.

Appropriations not dedicated by the state constitution and used for property tax relief would not be considered as appropriations when determining whether the rate of growth of appropriations in a biennium

had exceeded the constitutional tax spending limit. The amendment would apply to appropriations made for the state fiscal biennium beginning September 1, 2023, and subsequent state fiscal bienniums.

A ballot proposal would be presented to voters at an election on November 7, 2023, and would read: "The constitutional amendment to authorize the legislature to establish a limit on the maximum appraised value of real property other than a residence homestead for ad valorem tax purposes; to increase the amount of the exemption from ad valorem taxation by a school district applicable to residence homesteads from \$40,000 to \$100,000; to adjust the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in certain exemption amounts; to except certain appropriations to pay for ad valorem tax relief from the constitution limitation on the rate of growth of appropriations and authorize the legislation to provide for a four-year-term of office for a member of the board of directors of certain appraisal districts"

**SUPPORTERS
SAY:**

HJR 2 would present for voter consideration the constitutional amendments that would enable key provisions of the property tax relief and appraisal reform package in HB 2, the Property Tax Relief Act, which will provide substantial property tax relief to individuals and businesses across the state. The measure would limit the increase in taxable value for non-homestead property to no more than 20 percent per year and would increase the homestead exemption from \$40,000 to \$100,000 for all homesteads. Adjusting the homestead exemption would especially benefit owners of moderately priced homes, where relief is currently most needed. The compression reductions found in HB 2, would help prevent a measurable shift of the burden for school property taxes from homeowners to businesses.

The resolution also would ensure that senior and disabled citizens receive the full benefit from the last homestead exemption increase and will automatically benefit from any future increases in exemption amounts.

HB 2, the enabling legislation for HJR 2, would clearly establish that provisions limiting the maximum appraised value of real property would expire on December 31, 2026, and the bill would ensure that this

expiration date was included in required taxpayer notices.

**CRITICS
SAY:**

While property tax reductions would benefit Texans, implementing such a significant homestead exemption could shift a portion of the school property tax burden from homeowners to businesses.

HJR 2 should be amended to specify that the limit on the maximum appraised value of real property authorized under the resolution would expire in December 2026, as reflected in the enabling legislation, HB 2.

NOTES:

The enabling legislation for HJR 2 is HB 2, which is also on the second reading calendar today.

According to the Legislative Budget Board, the proposed constitutional amendment would have no cost to the state other than the cost of publication, which would be \$204,406.